

Message Text

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TO AMEMBASSY CARACAS

INFO AMEMBASSY LONDON

C O N F I D E N T I A L STATE 177721

E.O. 11652:GDS

TAGS: ENRG, EINV, VE, US

SUBJECT:INQUIRY ON BEHALF US CITIZENS WITH PETROLEUM
ROYALTY HOLDINGS IN VENEZUELA

REF: JUNE 12 AMERICAN ULTRAMAR LETTER TO DEPARTMENT
AIRPOUCHED TO PETROLEUM ATTACHE GRAHAM

1. PER REFERENCED LETTER, AMERICAN ULTRAMAR LIMITED OF MT.
KISCO, NEW YORK, WHICH REPRESENTS CERTAIN (BUT APPARENTLY
NOT ALL) U.S. NATIONALS WITH PETROLEUM ROYALTY RIGHTS IN
VENEZUELA, INDICATED THAT THERE IS THE MOST SERIOUS DOUBT AS
TO WHETHER ROYALTY HOLDERS WILL BE COMPENSATED IF THE GOV-
PROPOSED LEGISLATION IS ADOPTED IN ITS PRESENT FORM. THE
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LETTER ALLUDED TO APPARENT REPRESENTATIONS BY THE BRITISH

GOVERNMENT TO THE VENEZUELAN GOVERNMENT ON BEHALF OF BRITISH ROYALTY HOLDERS AND REQUESTED STATE DEPT. ASSISTANCE ON BEHALF OF THE SOME THIRTY-TWO U.S. RESIDENT ROYALTY HOLDERS INVOLVED.

2. TEXT OF ESSENTIAL PARAGRAPHS OF THE DEPARTMENT'S RESPONSE TO AMERICAN ULTRAMAR READS QUOTE: THE U.S. GOVERNMENT RECOGNIZES THE RIGHT OF HOST GOVERNMENTS TO NATIONALIZE FOREIGN PRIVATE PROPERTY IN CONFORMITY WITH

INTERNATIONAL LAW, WHICH REQUIRES ANY SUCH TAKING TO BE FOR A PUBLIC PURPOSE, NEITHER ARBITRARY NOR DISCRIMINATORY, AND ACCOMPANIED BY PROMPT, ADEQUATE AND EFFECTIVE COMPENSATION. WE ARE FOLLOWING DEVELOPMENTS IN VENEZUELA'S REVERSION PROCESS WITH INTEREST, AND WISH TO ASSURE THAT OUR AFFECTED INVESTORS ARE TREATED FAIRLY AND IN ACCORDANCE WITH INTERNATIONAL LAW. END QUOTE. DEPARTMENT THEN REQUESTED CERTAIN ADDITIONAL INFORMATION. COPY BEING POUCHED.

3. OUR PRELIMINARY REACTION IS THAT THE SITUATION OF ROYALTY HOLDERS INVOLVES SOME OF THE SAME ISSUES AS THE CANCELLATION OF CONCESSIONS, CURRENTLY UNDER HIGH-LEVEL REVIEW, AND THAT ANY ACTION ON BEHALF OF ROYALTY HOLDERS WOULD HAVE TO TAKE INTO ACCOUNT RESULTS OF THAT POLICY REVIEW.

4. ACTION REQUESTED: PENDING RESULTS OF THIS REVIEW, HOWEVER, WE WOULD APPRECIATE EMBASSY REACTIONS TO ULTRAMAR QUERY, EMBASSY VIEW ON EFFECT OF NATIONALIZATION ON THESE AND OTHER ROYALTY HOLDERS, AND THROUGH BRITISH EMBASSY IN CARACAS, BRITISH GOVERNMENT VIEW ON SUBJECT AND, IF POSSIBLE, COPIES OF NOTES OR OTHER DOCUMENTATION EXPRESSING THAT VIEW. INGERSOLL

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